



**R. Booth Goodwin II, United States Attorney
Southern District of West Virginia**



FOR IMMEDIATE RELEASE
September 8, 2010
<http://www.usdoj.gov/usao/wvs/>

CONTACT: Tracy Dorsey Chapman
800-659-8726*(304)345-2200
Tracy.Chapman@usdoj.gov

**TWO PLEAD GUILTY TO CHARGES STEMMING FROM THEIR ROLES
IN A MULTI-MILLION DOLLAR MORTGAGE FRAUD SCHEME**

Convictions Part of President's National Initiative Targeting Financial Crimes

CHARLESTON, W.Va. – Two people pled guilty today to various charges stemming from their involvement in a multi-million dollar mortgage fraud scheme involving properties at a Putnam County, West Virginia subdivision.

Deborah L. Joyce, 37, and Todd W. Joyce, 39, both of Hurricane, Putnam County, West Virginia, pled guilty before United States District Judge Thomas E. Johnston, admitting they misled people into buying homes as investment properties at prices far higher than the homes were actually worth.

"These are the crimes that the President had in mind when he formed the Financial Fraud Enforcement Task Force because this is the very sort of conduct that contributed to the collapse of our financial system," said U.S. Attorney Booth Goodwin. "This case is part of a larger, national effort to bring to justice those who created billions of dollars in losses to countless victims across the country."

Deborah Joyce entered a guilty plea to a two-count information charging her with conspiracy to commit wire and bank fraud and to tax evasion. Todd Joyce pled guilty to aiding and abetting in tax evasion. Both, scheduled to be sentenced on January 3, 2011, face up to 35 years in prison.

At her hearing, Ms. Joyce admitted that in early 2006, she became involved with individuals who operated a private real estate investment group called "100X, Inc." in Salt Lake City, Utah. The group leaders told Ms. Joyce that they had identified local private investors who were interested in purchasing properties in the Stonegate subdivision located in Hurricane, West Virginia for investment purposes.

The investigation revealed that in the late Spring of 2006, Ms. Joyce met with the owners of 45 Spruce Ridge, a property located in the Stonegate subdivision, about selling their property. The owners agreed to sell the property to Ms. Joyce's company, Prime Developers, LLC, near the then-market price of \$395,000 and the parties entered into a real estate sales contract.

Ms. Joyce then obtained a false, inflated appraisal from a licensed appraiser, which valued the property at \$650,000. To obtain the higher value, Ms. Joyce asked the appraiser, contrary to industry standards, to include the below-grade basement as additional square footage in the "Gross Living Area." By doing so, the appraiser was able to increase the home's square footage from 2,844 to 4,366. In turn, the appraiser was able to use more expensive homes as comparables and to justify the inflated appraisal price.

Ms. Joyce subsequently transmitted a copy of the inflated appraisal via email to the organizer of 100X, Inc., so it could be shared with members of the real estate investment group. The group's organizer was able to convince one of its members, Victim No. 1, to purchase 45 Spruce Ridge for \$617,500. The group's organizer falsely misrepresented to Victim No. 1 that the inflated appraisal substantially undervalued the property and that real estate in Putnam County was increasing rapidly. Further, it was misrepresented to Victim No. 1 that Prime Developers would be able to market the property at a much higher price for either a quick resale on his behalf or to secure a rent-to-own contract.

To further entice Victim No. 1, the 100X group organizers told Victim No. 1 that he was "pre-qualified" for "The Gift Program" operated by "Advanced Capital Services" or "ACS." Through this program, Victim No. 1 would be provided the down payment and several months worth of mortgage payments to keep current with the mortgage while he marketed the property at an even higher price.

The 100X organizers obtained financing for Victim No. 1 with the help of two employees of "Excellence Mortgage," also situated in Salt Lake City. At least one of these employees falsified Victim No. 1's income and submitted that information to a lender. Based on these false representations, Victim No. 1 was approved for the loan.

On August 14, 2006, the 100X organizers, Excellence Mortgage employees and a closing attorney organized an "upside down" closing. At that closing, Prime Developers purchased 45 Spruce Ridge from the original owners for \$395,000. The very same day, Prime Developers sold 45 Spruce Ridge to Victim No. 1 for \$615,000. The closing attorney used the proceeds from the second sale between Prime Developers and Victim No. 1 to pay the original owners their sale price of \$395,000.

In addition to other closing costs, the closing attorney wired \$134,660 to an account held in the name of ACS. The HUD-1 Settlement Statement falsely stated that these funds were coming from seller funds, when in reality, at least a portion of those funds were being wired to ACS and transferred back to Victim No. 1 for the down payment and initial mortgage payments. The remaining portion of the ACS transfer went to Ms. Joyce and others.

After closing, Ms. Joyce was not able to resell 45 Spruce Ridge. Victim No. 1 tried unsuccessfully to sell the property for almost two years, but could not get any interest near his \$615,000 mortgage. Once the pre-paid mortgage payments ran out, Victim No. 1 ultimately defaulted. On December 15, 2008, the note holder for 45 Spruce Ridge foreclosed on the property. On April 7, 2009, the property was sold out of foreclosure for \$305,000.

In addition to the 45 Spruce Ridge property, five additional properties situated in the Stonegate subdivision were a part of the property-flipping scheme (7 Stonegate Drive; 42 Spruce Ridge; 66 Stone Ridge; 62 Stone Ridge; and 12 Woodvale Heights).

In addition to the property-flipping scheme, Ms. Joyce further admitted that in February 2005, she and a co-conspirator convinced the rightful owners of 11 Woodvale Heights, also located in the Stonegate subdivision, to sell their home to them for \$1,226,000 with seller financing. The Joyces, however, made no payments.

The same day, Ms. Joyce "sold" the 11 Woodvale Heights property to her mother for \$1,800,000 and recorded two mortgages reflecting the same at the Putnam County Courthouse. Ms. Joyce's mother never made any payments.

In September 2005, Prime Developer purchased the remaining, undeveloped lots in the Stonegate subdivision from United Bank for \$725,000.

In March 2007, Ms. Joyce arranged for a sale of 11 Woodvale Heights and the undeveloped lots to a private equity firm for \$3,216,628. To justify the price, Ms. Joyce presented the private equity firm with false appraisals vastly overstating the value of 11 Woodvale Heights and the undeveloped lots.

Ms. Joyce's conduct associated with the private equity flip resulted in approximately \$1.2 million in loss.

Todd Joyce admitted that on or about April 21, 2006, he applied for a \$740,000 loan to build a home situated at 24 Stonegate Drive in Hurricane. Mr. Joyce applied for the loan at the United Bank branch located in Fayetteville, West Virginia. In support of his loan application, Mr. Joyce falsely represented that his monthly income was in excess of \$47,000. Further, Mr. Joyce presented a false 1040 tax return, which stated that he earned \$391,613 in taxable income for the calendar year 2005. Mr. Joyce's 1040 tax return that he actually filed with the Internal Revenue Service stated that he earned zero dollars in taxable income after deductions and exemptions. United Bank relied upon Mr. Joyce's representations and tax return information in making the construction loan.

The Joyces further admitted that for the tax year 2007, they were members of three limited liability companies: Prime Developers, LLC, J3 Developers, LLC and J3 Construction, LLC. On October 20, 2008, the Joyces knowingly and willingly filed a false Form 1040 tax return grossly under reporting their income with the Internal Revenue Service.

The Joyces were originally charged in June 2010 in connection with the nationwide takedown, Operation Stolen Dreams. The takedown, which targeted mortgage fraudsters in the Southern District of West Virginia and throughout the country, was organized by President Obama's interagency Financial Fraud Enforcement Task Force. The Task Force was established to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Starting on March 1, Operation Stolen Dreams resulted in 675 mortgage fraud cases in which 1217 defendants were charged nationally. The FBI estimates that approximately \$2.3 billion in losses were inflicted by the mortgage fraud schemes employed in these cases.

The President's Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit [StopFraud.gov](https://www.stopfraud.gov).

###